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OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT

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PERFORMANCE AUDIT
OF THE

ACQUISITIONS

OFFICE OF COMMUNITY CORRECTIONS

DEPARTMENT OF CORRECTIONS

October 1, 1989 through May 31, 1992



THOMAS H. McTAVISH, C.P.A.
AUDITOR GENERAL

151189

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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

December 16, 1992

Mr. Ron Schebil, Chair
State Community Corrections Board
Office of Community Corrections
Grandview Plaza
Lansing, Michigan

Dear Mr. Schebil:

This is our report on the performance audit of the Office of Community Corrections, Department of Corrections, for the period October 1, 1989 through May 31, 1992.

This report contains our executive digest; description of agency; audit objectives, scope, and methodology; and comments, findings, recommendations, and agency preliminary responses.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after the release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink that reads "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.
Auditor General

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EXECUTIVE DIGEST

OFFICE OF COMMUNITY CORRECTIONS

INTRODUCTION

This performance audit covers the Office of Community Corrections, an autonomous entity within the Department of Corrections, for the period October 1, 1989 through May 31, 1992.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness and efficiency.

BACKGROUND

Act 511, P.A. 1988, created the Office of Community Corrections (OCC), which includes the State Community Corrections Board and staff who are responsible for implementing the program. Act 511 provided for funding of community-based corrections programs through community corrections advisory boards or nonprofit agencies.

The act, among other things, was designed to:

Reduce crowding in prisons and jails.

Support successful local programs which demonstrate a positive impact on reducing prison and jail admissions.

Encourage involvement of local government officials and citizens through the community corrections advisory boards.

Community corrections advisory boards are responsible for developing comprehensive corrections plans, identifying treatment resources available in the community, and requesting funding for other services needed to provide alternatives to incarceration of nonviolent jail-bound or prison-bound offenders.

For fiscal year 1990-91, OCC had General Fund expenditures of approximately \$0.7 million for central office program administration,

\$1.1 million for community corrections advisory boards' technical assistance and plan development, \$3.0 million for the 31 community corrections advisory board operations, \$7.6 million for 675 beds in 18 residential centers, \$3.6 million for 59 service provider contracts and other programs, and \$0.1 million for minimum security work camp grants. OCC employed 14 staff as of May 31, 1992.

**AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To assess the effectiveness of OCC's local grant programs in diverting nonviolent offenders from prisons and jails.

Conclusion and Noteworthy Accomplishments: Our assessment of OCC's local grant programs disclosed two material conditions:

- OCC funded grant programs in some small community corrections advisory board (CCAB) service areas that did not demonstrate a potential for reducing commitments to prisons or to jails with a potential for reducing prison overcrowding (Finding 1).

OCC disagreed with this finding because the State Community Corrections Board adopted a policy that provides a base level of funding to all county programs that demonstrate a potential for either prison diversions or jail diversions. The State Community Corrections Board adopted this policy so that a county would not be excluded from eligibility for funding under Act 511, P.A. 1988, regardless of the program's impact on reduction of prison sentences.

- OCC did not take timely steps to develop a system to evaluate or report on the effectiveness of local grant programs in diverting offenders (Finding 2).

OCC staff informed us that, because of shortcomings in local and State data systems, it was in the process of developing a computerized system to gather data from local jurisdictions at the time of our field review. This automated system, when fully implemented, will improve capabilities to: monitor the utilization of prisons, jails, and non-incarcerative sanctions and services for non-assaultive offenders; assess the impacts of community corrections programs on jail utilization and prison admissions; conduct comparative impact analyses among counties; and conduct cost-

effectiveness analyses of community corrections programs. OCC developed an interim system to gather self-reported data from counties. OCC used this information to prepare biannual reports to the Legislature for fiscal year 1991-92.

As a result, we could not determine if OCC was effective in diverting nonviolent offenders from prisons and jails.

OCC believes that its efforts to encourage involvement of local government officials and citizens through the CCAB's were successful because, as of March 1992, 79 of the 83 counties in the State were participating in the implementation of the Community Corrections Act through the creation of CCAB's. Further, the State Community Corrections Board had approved 44 local comprehensive corrections plans which authorized funding for community corrections programs in 71 of these 79 counties.

Audit Objective: To assess compliance with requirements of Act 511, P.A. 1988; annual appropriations acts; and applicable policies and procedures.

Conclusion: Our review of compliance with laws, policies, and procedures disclosed three material conditions:

- OCC did not limit the residential center program to prison-bound offenders as required by annual appropriations acts (Finding 3).

OCC agreed that there was a need to move toward compliance with the requirements of the appropriations acts. Because of approximately 10 years of history and less restrictive policies required when the Department of Corrections operated the residential center program, the State Community Corrections Board felt that a transition period was necessary. As a result, OCC allowed the residential centers to gradually decrease the enrollment of offenders who would not normally receive prison sentences.

For fiscal year 1992-93, the State Community Corrections Board adopted more stringent eligibility requirements to limit the residential center program to prison-bound offenders, offenders who would normally receive a long-term jail sentence, and probation violators.

These criteria meet the requirements of the fiscal year 1992-93 appropriations act.

- OCC did not finalize performance measures, administrative rules, policies, and procedures and did not assess the residential center program's effectiveness in diverting offenders from prison as required by statutes (Finding 4).

OCC agreed with this finding and has developed contract self-reporting requirements to obtain information on the population being served. The reporting requirements, which were in effect for fiscal year 1991-92, required the residential centers to provide offender profile data, including sentencing guideline scores so that OCC could verify the populations served by the centers.

In April 1992, the State Community Corrections Board took steps to improve controls over the residential center program by creating a subcommittee to make recommendations to improve operations, including updating program standards.

- OCC did not perform structured on-site monitoring of program and financial transactions of local grant programs as required by Act 511, P.A. 1988 (Finding 5).

OCC agreed with this finding and stated that the addition of personnel and the implementation of reporting procedures improved on-site monitoring capabilities in fiscal year 1991-92. Also, OCC further plans to strengthen monitoring in fiscal year 1992-93 through a more structured approach for on-site visits.

As a result, we conclude that OCC was not in material compliance with sections of Act 511 and the annual appropriations acts.

We identified other problems in the areas of verification of the nonprofit status of contractors, enforcement of contracts, reporting requirements, cash advance requirements, expenditure account reconciliation, and fixed asset purchases which, if corrected, could improve OCC's compliance with laws, policies, and procedures (Findings 6 through 11).

Objective: To assess whether OCC efficiently contracted for residential center services.

Conclusion: Our review of OCC contracts for residential centers disclosed two material conditions:

- OCC did not formally document needs or develop a Statewide plan for residential center services (Finding 12).

OCC agreed with this finding and will formally document its efforts to assess the Statewide need for residential center services.

- Residential center contracts did not identify the specific level of services to be provided at each center for the \$35 per diem rate (Finding 13).

OCC agreed with this finding and stated that it will revise future contracts to detail the extent to which services will be provided by the residential centers through the development of standards.

As a result, we could not determine if OCC efficiently contracted for residential center services.

We also identified a problem in the area of resident contributions which, if corrected, could improve the operation of the residential center program (Finding 14).

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Office of Community Corrections, selected community corrections advisory boards, and selected nonprofit residential centers funded by the Office of Community Corrections for the period October 1, 1989 through May 31, 1992. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included reviewing and testing the internal control structure for contract development and implementation, contract

monitoring, evaluation of program effectiveness, and centralized financial management.

We also reviewed central office operations to determine whether OCC established contract, financial, and program controls. We also determined the extent of field monitoring performed by OCC.

Further, we reviewed operations at certain residential centers and community corrections advisory boards for compliance with contracts, compliance with financial controls, and to determine program cost effectiveness.

AGENCY RESPONSES

Our audit report includes 14 findings and recommendations. The agency's preliminary response indicated that the agency agreed with 13 of our findings and has implemented or will implement the recommendations.

The agency preliminary response which follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Manual procedure 2-2-02 require the department to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

Description of Agency

The Office of Community Corrections (OCC) was established as an autonomous entity within the Department of Corrections by Act 511, P.A. 1988. OCC includes the State Community Corrections Board which is responsible for development of policy for community based alternatives to incarceration and includes staff responsible for implementing community corrections programs.

The act, among other things, was designed to:

Reduce crowding in prisons and jails.

Support successful local programs which demonstrate a positive impact on reducing prison and jail admissions.

Encourage involvement of local government officials and citizens through the community corrections advisory boards (CCAB's).

CCAB's are responsible for developing comprehensive corrections plans, identifying treatment resources available in the community, and requesting funding for other services needed to provide alternatives to incarceration of nonviolent jail-bound or prison-bound offenders.

OCC, with General Fund appropriations of approximately \$22.5 million in fiscal year 1990-91, funded:

Grants for comprehensive corrections plan development. OCC entered into 19 contracts with local units of government through CCAB's which expended approximately \$1.1 million for technical assistance and plan development.

Grants for local units of government through CCAB's to implement approved comprehensive corrections plans. Funds are available to provide alternatives to incarceration for nonviolent offenders including, pretrial services, bail bond screening, community services supervision, counseling and treatment programs, and other needed services identified by the individual boards. OCC entered into contracts with 31 local units of government through CCAB's which expended approximately \$3.0 million to operate prison diversion programs.

Contracts for residential centers through nonprofit agencies. This program provides residential treatment to nonviolent offenders as an alternative to prison incarceration. OCC funded 675 beds in 18 residential centers Statewide and expended approximately \$7.6 million.

Grants for nonprofit agencies and local governmental units to provide educational training and treatment services to probationers and parolees. OCC entered into 59 service provider grant and probation enhancement grant contracts and expended approximately \$3.6 million. The service provider and probation enhancement grant programs had been scheduled for phase out by OCC management as individual CCAB plans were implemented.

Studies for development of minimum security work camps. OCC entered into two contracts for minimum security work camps and expended approximately \$100,000.

OCC had General Fund expenditures for its central office program administration of approximately \$700,000 for the fiscal year ended September 30, 1991 and employed 14 people as of May 31, 1992.

Audit Objectives, Scope, and Methodology

Audit Objectives

Our performance audit of the Office of Community Corrections (OCC), Department of Corrections, had the following objectives:

1. To assess the effectiveness of OCC's local grant programs in diverting nonviolent offenders from prisons and jails.
2. To assess compliance with requirements of Act 511, P.A. 1988; annual appropriations acts; and applicable policies and procedures.
3. To assess whether OCC efficiently contracted for residential center services.

Audit Scope

Our audit scope was to examine the program and other records of the Office of Community Corrections, selected community corrections advisory boards, and selected nonprofit residential centers funded by the Office of Community Corrections for the period October 1, 1989 through May 31, 1992. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

We reviewed the internal control structure as it pertained to OCC for contract development and implementation, contract monitoring in accordance with established program and financial standards, evaluation of program effectiveness for compliance with enabling legislation and annual appropriations acts, and centralized financial management. Centralized financial management helps ensure that grantees and subgrantees provided the services outlined and at the rate agreed to in their contracts.

We reviewed compliance with findings from our audit of the Community Programs Division, Bureau of Field Services, Department of Corrections, which was partially transferred to OCC by Act 511, P.A. 1988.

We reviewed applicable central office operations to determine that OCC established adequate contract, financial, and program controls over its programs. We also reviewed OCC's methodology in approving corrections programs, increasing the number of residential center beds, and the extent of on-site visits to monitor program outputs.

We performed on-site reviews of certain community corrections advisory boards and residential centers for compliance with contract provisions, compliance with financial controls, and to determine program cost effectiveness.

Agency Overall Response

OCC, in its response to the preliminary draft of the audit report, suggested that there were significant environmental factors that had a tremendous impact on its operation and implementation of Act 511, P.A. 1988. As a result, OCC believes that it is unrealistic to expect it to implement and evaluate programs in the approximate three-year time period the audit covered.

The State Community Corrections Board and OCC believe that these environmental factors resulted in the need to manage a process which required time and a change in attitudes at the local level.

OCC outlined the following factors that impacted on its operations and implementation of the act:

- a. The State Community Corrections Board and OCC were not only responsible for the creation of a new infrastructure for community corrections planning, design, and service delivery but also were charged with transitioning existing programs, most with long histories, into the new structure and policy framework.
- b. The focus of programs funded prior to the enactment of Act 511 was on prevention and early intervention rather than on diversion.
- c. Beyond the issues, challenges, and difficulties of transitioning, Act 511 requires changes in policies and procedures at the local level which have deep roots and are based, at least in part, on attitudes toward crime and justice. To effectively institute changes in these attitudes, policies, and programs, strategic planning and time are required. Change cannot happen overnight.
- d. Even after local jurisdictions agree to change (through their comprehensive corrections plan), the new policies still must be implemented. Approval of a comprehensive plan does not mean it has been implemented. The implementation process must also be managed to ascertain adherence to the agreed upon policies. This requires "process evaluation."

Thus, OCC contends that it has made progress in attempting to manage a process.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF GRANT PROGRAMS IN DIVERTING OFFENDERS

COMMENT

Audit Objective: To assess the effectiveness of the Office of Community Corrections (OCC) local grant programs in diverting nonviolent offenders from prisons and jails.

Conclusion and Noteworthy Accomplishments: Our review of OCC's local grant programs disclosed two material conditions. OCC funded grant programs in some small community corrections advisory board (CCAB) service areas that did not demonstrate a potential for reducing commitments to prisons or to jails with a potential for reducing prison overcrowding. Also, OCC did not take timely steps to develop a system to evaluate or report on the effectiveness of CCAB grant programs in diverting offenders. As a result, we could not determine if OCC was effective in diverting nonviolent offenders from prisons and jails.

OCC was in the process of developing a computerized system to gather data on program activities at the time of our field review and developed an interim system to gather self-reported data from counties. OCC used this information to prepare biannual reports for the Legislature for fiscal year 1991-92. OCC staff informed us that they anticipate that the computerized system, when fully implemented, will improve capabilities to report on program effectiveness.

As of March 1992, 79 of the 83 counties in the State were participating in the implementation of the Community Corrections Act through the creation of CCAB's. Further, as of March 1992, the State Community Corrections Board had approved 44 local comprehensive corrections plans which authorized funding for community corrections programs in 71 of these 79 counties.

FINDING

1. Prison and Jail Diversion

OCC funded comprehensive community corrections plans that did not demonstrate a potential for prison diversions or for jail diversions that would have a direct impact on prison overcrowding. Some small county CCAB plans did not demonstrate a potential for reducing commitments to State prisons and to local jails with a potential for reducing prison overcrowding.

Act 511, P.A. 1988, the Community Corrections Act, was designed to fund community-based corrections programs that demonstrate the potential for reducing the use of prison sentences for prison-bound offenders. Section 8(2)(a), Act 511, P.A. 1988, states that community corrections plans shall include, when appropriate, provisions that detail how the city, county, or counties plan to substantially reduce, within one year, the use of prison sentences for prison-bound offenders. The act further states that continued funding in the second and subsequent years shall be contingent upon substantial compliance with this requirement.

Four of the 7 plans we reviewed stated that funding for the CCAB program would have little or no potential for prison diversions. The plans also showed a low level of annual prison commitments. Also, 3 of the 4 CCAB plans indicated that excess jail bedspace was available.

OCC funds most jail diversion projects in the belief that a reduction in jail commitments will have an impact on the use of prison sentences. Thus, if a CCAB cannot show the potential for direct prison diversions and cannot show a need to empty jail beds to provide an impact on prison overcrowding, the need for diversion funds appears questionable. This lack of potential is evidenced by the information in the following table:

	Annual Prison <u>Commitments</u>	1991-92 Grant <u>Amount</u>	Available Jail Bed <u>Days</u>
County 1	4	\$39,091	7,904
County 2	18	\$65,000	3,935
County 3	19	\$91,743	4,653
County 4	6	\$92,794	0

We expanded our review to include all 18 CCAB's that received grants ranging from \$39,091 to \$92,794 for fiscal year 1991-92. We determined that:

- a. Seven of 18 had low annual prison commitments. This indicates that there is little potential for prison diversions.
- b. Five of 18 had average daily jail populations that were 51% of capacity or less. Three of 18 rented jail space to other counties which generated revenues of approximately \$712,000. This may indicate that the need for jail diversions in these counties is questionable.

Funding was provided at \$20,000 per county with additional funds based on the level of convictions. Although Act 511 permits each county to apply for CCAB grants, the act requires documentation of the reduction in the use of prison sentences for prison-bound offenders as a condition for continued funding.

Providing funds for programs with little potential for prison diversions and no demonstrated need for jail diversions is not an effective use of resources appropriated to reduce the use of prison sentences. These funds could be better utilized for funding those counties showing a need to reduce commitments to State prisons or reduce local jail populations that would have an impact on prison overcrowding. We estimated that counties received annual grants of approximately \$915,000 for jail diversions with no potential impact on prison overcrowding and for county plans that showed little or no potential for prison diversions.

OCC informed us that the State Community Corrections Board made a policy decision to fund all community corrections programs that showed a potential for reducing either jail admissions or prison admissions. It was the State Community Corrections Board's belief that, while the primary intent of the act was to reduce prison admissions where such admissions could be reduced, the act also allowed for the funding of local programs where this was not the case. The State Community Corrections Board took this position so that there would not be any county excluded from funding under Act 511.

RECOMMENDATION

We recommend that OCC discontinue funding grant programs that do not demonstrate a potential for prison diversions or jail diversions that would have an effect on prison overcrowding.

AGENCY PRELIMINARY RESPONSE

State Community Corrections Board policy provides funding to all programs that demonstrate a potential for either prison diversions or jail diversions. Section 8(4), Act 511, P.A. 1988, states that the CCAB process is intended to encourage participation in community corrections programs of offenders who would likely be sentenced to imprisonment in a State correctional facility or jail. The act and subsequent appropriations bills clearly establish the Statewide nature of the act. Therefore, State Community Corrections Board policy encourages participation by all counties because:

1. Any county that sends persons to prison has the potential to increase diversions.
2. Many counties have historically addressed the objectives of the act through State and locally funded community-based sanctions. These counties should be encouraged to continue local policies, practices, and programs that keep admissions low. They

certainly should not be penalized for their past actions in support of diversions by not allowing them funding.

As a result, OCC does not agree with the interpretation of Act 511 that funding should only be provided for CCAB's showing potential for prison diversions or demonstrated need for jail diversions with a direct impact on reducing prison commitments to qualify for continued funding. In the opinion of the State Community Corrections Board, Section 8(2)(a), Act 511, P.A. 1988, further supports its policy as it allows for plans to include prison admission reduction only where it is "appropriate."

OCC's review of fiscal year 1992-93 grants focused on CCAB accomplishments, steps taken to improve targeting, local operational practices and procedures, and the attainment of goals for prison and jail diversions. A vast majority of fiscal year 1992-93 grant awards were approved with performance conditions. Several grant awards to CCAB's were limited to a six-month period, with continued funding for the balance of the fiscal year contingent on the CCAB's adequately addressing the State Community Corrections Board's concerns.

FINDING

2. Program Effectiveness

OCC did not take steps to timely develop a system to evaluate and report on the effectiveness of CCAB programs in diverting offenders from State prisons or local jails as required by Act 511, P.A. 1988. Also, OCC did not report on the effectiveness of CCAB programs in diverting offenders from State prisons or local jails on a biannual basis as required by Act 511, P.A. 1988.

Act 511, P.A. 1988, requires that each CCAB detail the methods planned to substantially reduce the use of prison sentences within one year. Continued funding in second and subsequent years is contingent upon compliance with this requirement. Act 511 also requires that OCC adopt criteria for community corrections program evaluations and prepare biannual reports on the effectiveness of funded programs. We noted the following:

- a. Although OCC was in the process of developing a computerized system to gather information for use in evaluating the impact of Act 511 on jail and prison admissions, OCC had not evaluated the effectiveness of funded programs.

Also, OCC did not require CCAB's to include evaluation systems in their community corrections plans. Our review of plans for 7 CCAB's disclosed that 4 did not include a system for evaluating the effectiveness of programs in diverting offenders from State prisons or local jails as required by Act 511. Our field reviews disclosed that 4 CCAB's

received over \$2.0 million in continued funding for the second and subsequent years without documenting a reduction in prison sentences in the first year as required by Act 511. Development of comprehensive evaluation plans and reporting requirements in individual CCAB plans would have provided OCC with data to evaluate and report on the overall effectiveness of the CCAB program as required by Act 511.

In addition, we noted that OCC did not evaluate the effectiveness of the service provider and probation enhancement programs. Service provider and probation enhancement grants were being phased out in fiscal year 1991-92. OCC informed us that because these grants were being phased out they could not feel that there was a need to evaluate program effectiveness.

OCC staff informed us that they were aware that a number of comprehensive plans did not clearly describe procedures to be used to measure program effectiveness on an ongoing basis. As a result, the State Community Corrections Board and OCC required all CCAB's to develop an implementation plan and increased reporting requirements to collect program participation, offender profile, and diversion data.

- b. Because of the lack of computerized data, OCC did not provide biannual reports to the Legislature for fiscal year 1990-91 showing whether diversion programs were effective as required by Act 511.

OCC stated that it did provide its first biannual report for fiscal year 1991-92 to the Legislature with data reported by the contractors. We were informed that this data was not verified by OCC because of the inability to fully implement the computerized information system.

OCC staff stated that they did visit field locations to assist in plan development and problem solving throughout the audit period. Also, OCC has been working on development of the computerized information system as an ongoing initiative. OCC informed us that the following segments of the reporting and evaluation system have been developed and implemented by the State Community Corrections Board and OCC:

- (1) Requirements for the Implementation of the Community Corrections Act, adopted by the State Community Corrections Board on January 4, 1990.
- (2) Application for Funds from the Office of Community Corrections - A Comprehensive Corrections Planning Approach, issued by OCC on January 24, 1992 outlines the requirements for development of local plans and establishes a base line for assessing impact.

- (3) Requirement for local Implementation Plans in fiscal year 1991-92, which included additional emphasis on data collection and analysis.
- (4) Contract language which requires CCAB's to submit program and offender data and quarterly progress reports.
- (5) Quarterly and biannual reports to the Legislature which included data and information regarding prison and jail diversions, offender profiles, and program participation as reported by CCAB's and residential centers.
- (6) Ongoing development of computerized systems to improve capabilities to monitor prison admissions, jail utilization, and offender participation in community-based programs; evaluate the impacts of community-based programs on prison admissions and jail utilization; conduct comparative analyses among programs; and conduct cost effectiveness analyses of programs.

We determined that, to date, OCC has relied on data reported by the CCAB's without independently verifying its accuracy and the eligibility of offenders. Because OCC is in the process of developing its computerized information system, we could not determine if the system will accomplish the objective of collecting data to determine whether CCAB programs were effective in reducing the use of prison sentences for nonviolent first-time offenders.

RECOMMENDATIONS

We recommend that OCC continue to develop procedures and criteria to evaluate and report on the effectiveness of programs operated by local CCAB's as required by Act 511, P.A. 1988.

We also recommend that OCC report on the effectiveness of CCAB programs in diverting offenders from State prisons or local jails biannually as required by Act 511, P.A. 1988.

AGENCY PRELIMINARY RESPONSE

OCC agrees that there is a need to develop procedures and criteria to evaluate and report on the effectiveness of programs operated by the CCAB's. OCC has been actively involved in designing and developing a computerized system to monitor prison admissions, jail utilization, and offender participation in community based programs; evaluating the impact of community based programs on prison admissions and jail utilization; conducting comparative analyses among programs; and conducting cost-effectiveness analyses of programs. OCC implemented an interim self-reporting system in fiscal year 1991-92 that compares data provided in comprehensive corrections plans with information reported by

local units of government. This information is reported and verified by the local community corrections manager.

OCC did not complete all the required reports because its computerized system had not been totally developed to gather and evaluate the needed information.

All comprehensive corrections plans were developed from a comprehensive collection and analysis of local demographic and criminal justice data which established a base line to monitor and evaluate the impact of the plan. Units of government are also required to collect information to enable the development of annual reports to provide program outcome.

Because some local CCAB's did not have evaluation plans, the State Community Corrections Board routinely discussed these shortcomings with representatives of local units of government during the review process. Also, OCC developed additional reporting requirements for all CCAB's including the development of implementation plans. Thus, OCC believes that it met the intent of Act 511.

COMPLIANCE WITH LAWS, POLICIES, AND PROCEDURES

COMMENT

Audit Objective: To assess compliance with requirements of Act 511, P.A. 1988; annual appropriations acts; and applicable policies and procedures.

Conclusion: Our review of compliance with laws and OCC and State policies and procedures disclosed three material conditions. OCC did not limit the residential center program to prison-bound offenders as required by annual appropriations acts. Also, OCC did not finalize performance measures, rules, policies, and procedures and did not assess the residential center program's effectiveness in diverting offenders from prison as required by Act 511, P.A. 1988, and annual appropriations acts. Further, OCC did not perform structured on-site monitoring of program and financial transactions of CCAB's as required by Act 511, P.A. 1988. As a result, we conclude that OCC was not in material compliance with sections of Act 511, P.A. 1988, and the annual appropriations acts.

We identified other problems in the areas of verification of the nonprofit status of contractors, enforcement of residential center contract provisions, reporting requirements, cash advances to contractors, reconciliation of expenditure records, and fixed asset purchases which, if corrected, could improve OCC's compliance with Act 511, P.A. 1988, annual appropriations acts, and OCC and State policies and procedures.

FINDING

3. Residential Center Target Population

OCC did not limit the residential center program to prison-bound offenders as required by annual appropriations acts.

Annual appropriations acts provided funds for the residential center program to divert offenders who would normally be sentenced to prison. Prison-bound offenders are generally defined as those expected to receive a sentence of 12 months or more, subject to local sentencing patterns.

The residential centers accept offenders for placement from probation agents. We noted the following in our field reviews of offenders in the residential centers during February 1992:

- a. The residential centers accepted offenders who may not normally be sentenced to prison. Based on a random sample of four residential centers, we determined that 61 (73%) of 84 offenders in a Kent County residential center program and 33 (79%) of 42 offenders in a Saginaw County residential center program were not prison diversions because, based on Statewide sentencing standards, they would have received a sentence of probation or up to 12 months in jail. For the other two residential centers, we could not determine whether offenders were prison diversions because the centers did not report guideline scores as required by their contracts.
- b. Probation agents placed offenders who completed the Special Alternative Incarceration (bootcamp) Program in residential centers. These offenders were not prison-bound upon graduation from the bootcamp program. OCC and the department had not determined the need to place bootcamp graduates in residential center programs.

Placement of offenders in residential center programs at a cost in excess of \$35 per day is an expensive alternative to field supervision by a probation agent.

The residential center program was transferred from the Department of Corrections in July 1989. OCC staff informed us that the State Community Corrections Board chose to continue operating the program, including the use of eligibility criteria established by the department, until the CCAB comprehensive planning process was substantially completed. The State Community Corrections Board allowed a three-year period of transition to comply with appropriations act requirements because it believed that such dramatic changes could not have been managed in the residential center program in a shorter time-frame. This decision was made because of approximately 10 years of historical precedence setting standards and policy related to the residential center program.

In February 1990, the State Community Corrections Board began to study ways to move toward compliance with appropriations acts' requirements. In January 1992, the State Community Corrections Board adopted a new policy and, as a result, OCC staff informed us that they will be in compliance with enrollment requirements by October 1, 1992.

RECOMMENDATION

We recommend that OCC continue to work toward complying with annual appropriations acts by limiting the residential center program to prison-bound offenders as required by annual appropriations acts.

AGENCY PRELIMINARY RESPONSE

OCC agreed that there was a need to move toward compliance with the requirements of the appropriations acts; however, OCC does not agree with the application of Statewide standards to determine local jurisdiction prison-risk factors. Prison-bound offenders are generally those who may be predicted to receive a sentence of 12 months or more based on local sentencing patterns. The State Community Corrections Board clarified eligibility criteria and amended language in fiscal year 1992-93 contracts to limit the residential center program to prison-bound offenders, offenders who would normally receive a long-term jail sentence, and probation violators. The State Community Corrections Board took this action in part to address changes in eligibility criteria in Act 163, P.A. 1992.

Also, OCC and the department intend to identify specific services that will be provided to Special Alternative Incarceration graduates accepted into the residential center program. The Special Alternative Incarceration Program is planning to negotiate separate contracts with individual residential centers.

FINDING

4. Residential Center Program Monitoring

OCC did not finalize performance measures, administrative rules, policies, and procedures for the residential center program and did not assess the program's effectiveness in diverting offenders from prison as required by Act 511, P.A. 1988, and annual appropriations acts.

Act 511, P.A. 1988, and annual appropriations acts require OCC to promulgate administrative rules for operation of the residential center program and to report on the effectiveness of the program.

Based on our review of central office operations and a field review of four residential centers, we identified the following problems:

- a. OCC has not defined either short-term or long-term performance measures of the residential center program and has not measured program effectiveness on either an individual center or group basis.
- b. OCC did not adopt formal policies and procedures for residential center program operations. Also, OCC did not promulgate administrative rules to establish operating standards for the residential center program as required by Act 511, P.A. 1988.
- c. OCC staff did not monitor for compliance with department operating procedure BFS 10.02 during the audit period. OCC contracts with the residential center programs include a clause requiring compliance with department operating procedure BFS 10.02. This procedure requires contractors and department staff to assess compliance with program operating standards developed by the American Correctional Association as a condition of continued funding.
- d. OCC did not perform field reviews of residential center operations to document that the centers provided services in a cost effective manner and that the centers maintained adequate offender records.

As a result of the lack of performance measures, policies, procedures, and administrative rules, and the lack of documented reviews, we noted serious internal control structure weaknesses in both financial and program controls. Also, OCC's failure to fully implement procedures to measure program effectiveness limited its ability to report on program effectiveness to the Legislature on a quarterly basis as required by Act 511, P.A. 1988.

OCC staff informed us that the process of developing policies, procedures, and administrative rules and the formal monitoring of the residential center program were delayed, in part, to implement the community corrections advisory board process. OCC did require contractors to report occupancy rates monthly for billing purposes and to develop a system for self-reporting in 1992. Also, OCC is in the process of developing the computerized system which it believes will, when fully operational, gather and evaluate information on program effectiveness. OCC staff also stated that the residential centers were visited for informal program reviews and problem solving.

RECOMMENDATIONS

We recommend that OCC finalize performance measures, administrative rules, policies, and procedures for the residential center program.

We also recommend that OCC assess program effectiveness in diverting offenders from prison as required by Act 511, P.A. 1988, and annual appropriations acts.

AGENCY PRELIMINARY RESPONSE

OCC agreed with this finding and has developed contract self-reporting requirements to obtain information on the population being served. The reporting requirements, which were in effect for fiscal year 1991-92, required the residential centers to provide offender profile data, including sentencing guideline scores so that OCC could verify the populations served by the centers.

In April 1992, the State Community Corrections Board took steps to improve controls over the residential center program by creating a subcommittee to make recommendations to improve operations. Included in its agenda is updating program standards.

FINDING

5. Community Corrections Advisory Board (CCAB) Program Monitoring

OCC did not perform structured on-site monitoring of program and financial transactions at CCAB's and other programs to document compliance with Act 511, P.A. 1988.

Act 511, P.A. 1988, requires that OCC monitor CCAB's compliance with contractual agreements. Monitoring efforts can also assist OCC in assessing the internal control structure and identifying questionable expenditures.

We noted internal control structure weaknesses and questionable expenditures at 4 CCAB's. OCC did not:

- a. Review the efficiency of CCAB programs. For example, 1 CCAB operated an electronic tether program that was funded based on a one-time enrollment fee of \$588 (for equipment hook-ups and a session to explain the system to the offender) and equipment and maintenance charges of \$17.31 to \$24.31 per day. This tether program was significantly more costly than the electronic tether system operated by the Department of Corrections (DOC) at \$6.61 per day.
- b. Establish travel guidelines for the CCAB's. Travel charges for the 4 CCAB's ranged from less than 1% of administrative expenditures to over 8% of administrative expenditures. We noted that OCC permitted out-of-State travel for CCAB employees when Executive Directive 1991-7 restricted out-of-State travel financed by State funds.

- c. Recover unexpended funds at fiscal year-end 1990-91 in a timely manner, as required by the contract. One contractor held over \$30,000 in unexpended funds for more than four months after the end of the State fiscal year requiring OCC to reduce its fiscal year 1991-92 payment.
- d. Require documentation to support reported expenditures. We noted one CCAB that billed approximately \$36,000 in administrative expenditures without supporting documentation. Two other CCAB's reported budgeted figures instead of actual expenditures, thus overstating expenditures by at least \$11,000.
- e. Review fiscal year-end cutoff procedures used by CCAB's. Two CCAB's did not use proper fiscal year-end cutoff procedures. They charged \$13,880 of expenditures incurred during fiscal year 1991-92 to fiscal year 1990-91 operating accounts.
- f. Review the CCAB's procedures for verifying subgrantee billings. The CCAB's did not require sub-grantees to include supporting documentation when submitting billings for services. Also, OCC did not review contracting procedures. Contracts at 3 CCAB's were not properly bid. OCC did not require CCAB's to provide services in an economical manner by either contracting for units of service to be provided or monitoring contract payments in relation to the level of actual services received.
- g. Monitor programs transferred from the Department of Corrections (service provider grants, probation enhancement grants, and minimum security jail work camps).

The preceding problems were the result of OCC's lack of an effective internal control structure, including the lack of field monitoring of contractors' compliance with contracts. OCC cannot effectively monitor these programs without structured on-site monitoring of grant operations.

We were informed that OCC staff visited CCAB's for consultation and problem solving during the audit period.

RECOMMENDATION

We recommend that OCC perform structured on-site monitoring of program and financial transactions at CCAB's and other programs to document compliance with Act 511, P.A. 1988.

AGENCY PRELIMINARY RESPONSE

OCC agreed with this recommendation and stated that the addition of personnel and the implementation of reporting procedures improved on-site monitoring capabilities in fiscal

year 1991-92. Also, OCC further plans to strengthen monitoring in fiscal year 1992-93 through a more structured approach for on-site visits.

FINDING

6. Status of Contractors

OCC did not document the nonprofit or governmental status of contractors receiving funds for either service provider grants or residential centers to ensure compliance with Act 511, P.A. 1988.

Act 511 requires OCC to contract with governmental agencies and nonprofit service agencies for service provider grants and the residential center program.

Our review of 23 contractors disclosed that the files did not contain proof that the contractors were nonprofit or governmental entities. Based on Department of Commerce records, we determined that only 13 of 23 contractors had documentation showing nonprofit status.

Thus, OCC cannot demonstrate that it is contracting with nonprofit or governmental service agencies as required by Act 511, P.A. 1988.

RECOMMENDATION

We recommend that OCC document the nonprofit or governmental status of contractors receiving funds for either the service provider grants or residential center operators to ensure compliance with Act 511, P.A. 1988.

AGENCY PRELIMINARY RESPONSE

OCC agreed with this recommendation and stated that it will comply.

FINDING

7. Residential Center Contract Requirements

OCC did not require residential center operators to document compliance with provisions of their contracts. Also, the contracts did not contain methods to help ensure timely reporting and compliance with contract provisions.

OCC developed contract reporting requirements to establish a control structure over the residential centers and to obtain information on the population being served.

We noted that OCC did not enforce all contract requirements. Contracts required:

- a. Approval of monthly billings by local probation agents to verify placements. We noted that 3 of the 4 residential centers did not have evidence of a probation agent approving billings on a monthly basis.
- b. Residential center operators to report Statewide sentencing standards so that OCC staff could verify that the offenders met the target population of "prison-bound." Two of the 4 residential centers did not report guideline scores.
- c. Residential center operators to submit monthly reports by the tenth of the following month. All 4 of the residential centers submitted billings ranging from 1 day to 17 days late.
- d. Compliance with department operating procedure BFS 10.02 which requires case information from the referral source and documented legal authority to accept the offender. One of the 4 residential centers did not have court orders giving them legal authority to retain offenders. Also, this residential center did not obtain basic information reports from referring probation agents to help document the offenders' need for services.

The lack of timely verification of residential center placements by the referring agent, the lack of guideline scores to determine if offenders met the target population, and the lack of field monitoring by OCC central office staff result in a serious weakness in the internal administrative control structure over the residential center program. The lack of court orders and basic information reports identifying offenders' needs could result in residential centers not providing needed services.

RECOMMENDATIONS

We recommend that OCC require that residential center operators document compliance with all provisions of contracts on a timely basis.

We also recommend that OCC contracts include methods to help ensure timely reporting and compliance with contract provisions.

AGENCY PRELIMINARY RESPONSE

OCC agreed that there is a need to improve the exchange of data and documents between probation agents and the residential centers and is addressing these matters through cooperative efforts with Department of Corrections personnel.

OCC has implemented a penalty system for late reports to help expedite timely reporting.

FINDING

8. Reporting Requirements

OCC did not require some contractors to report program and financial information. Also, some contractors did not submit required reports on a timely basis as required by their contracts. As a result, OCC did not comply with all reporting requirements of annual appropriations acts and Act 511, P.A. 1988.

Annual appropriations acts for the three fiscal years ended September 30, 1992 require either monthly or quarterly reports to the Legislature summarizing grant activities. Act 511 requires that OCC detail the effectiveness of prison and jail diversion programs in biannual reports on March 1 and September 1 of each year. OCC contracts also require monthly or quarterly reports of program and financial information from each contractor. Timely contractor information is necessary for OCC to meet statutory reporting requirements.

In our field reviews, we determined that all 7 CCAB's and all 4 residential centers had either submitted late or did not submit financial and program reports. Our review of service providers, probation enhancement programs, and technical assistance grants disclosed similar problems with timely reporting.

We reviewed reports submitted to the Legislature and determined that OCC did not submit:

- a. Biannual reports to the Legislature detailing the effectiveness of fiscal year 1990-91 programs as required by Act 511.
- b. Some of the monthly or quarterly reports for fiscal year 1990-91 as required by statutes.

Late and missing contractor reports were partly responsible for the late and missing Legislative reports. OCC staff informed us that they intend to implement a computerized data system for compiling data to produce required reports on a timely basis.

Compliance with reporting requirements would assist the Legislature in determining if funding for community corrections programs is an effective use of resources.

RECOMMENDATIONS

We recommend that OCC require that all contractors report program and financial information on a timely basis as required by their contracts.

We also recommend that OCC submit monthly and quarterly reports to the Legislature to comply with reporting requirements of annual appropriations acts and Act 511, P.A. 1988.

AGENCY PRELIMINARY RESPONSE

OCC agreed with this recommendation and has informed all contractors that monthly contract payments will be withheld if reports are not submitted on a timely basis.

FINDING

9. Cash Advances

OCC did not determine the need for cash advances to contractors and did not request approval when issuing cash advances as required by Department of Management and Budget (DMB) Administrative Manual procedure 2-2-80.

DMB Administrative Manual procedure 2-2-80 requires that an agency analyze grant recipient cash flow needs and request prior approval from the DMB Office of Accounting for cash advances exceeding \$10,000. Also, the procedure does not allow advances for the entire contract amount.

For the period October 1, 1990 through February 28, 1992, OCC processed over \$6 million in cash advances to 18 residential centers and 35 CCAB's without either obtaining required DMB approval or analyzing contractor cash flow needs. Also, our field review disclosed that some counties did not allocate interest income to the CCAB's. Interest earned on cash advances should be made available to fund program operations. During the same period, OCC provided 16 service providers who had signed two-month contracts with advances for the entire contract amount. These service provider contracts totaled more than \$325,000.

Providing unnecessary cash advances to contractors results in the loss of interest revenue to the State. Also, advances for the entire contract amount reduce OCC's effectiveness in enforcing contract requirements.

OCC staff stated that they were unaware of DMB regulations pertaining to cash advances.

RECOMMENDATION

We recommend that OCC determine the need for cash advances to contractors and request approval when issuing cash advances as required by DMB Administrative Manual procedure 2-2-80.

AGENCY PRELIMINARY RESPONSE

OCC agreed with this recommendation and stated that it will comply.

FINDING

10. Expenditure Account Reconciliation

OCC did not reconcile contractor grant payments with the State's General Accounting/Financial Management Information (GA/FMIS) System as required by DMB Administrative Manual procedure 2-2-210.

This procedure requires agencies to reconcile accounts as a supplement to their internal control structure. This procedure helps ensure prompt identification and resolution of expenditure recording problems.

OCC did not perform GA/FMIS reconciliations for residential centers, CCAB's, technical assistance grants, probation enhancement grants, service providers, and minimum security jail work camp grants.

As a result of OCC's inability to reconcile payments, we noted significant uncorrected errors and variances when attempting to reconcile OCC's expenditure records with GA/FMIS reports.

OCC stated that delays in the staffing of vacant positions resulted in the attempted sporadic completion of reconciliations.

RECOMMENDATION

We recommend that OCC reconcile contractor grant payments with the State's GA/FMIS reports as required by DMB Administrative Manual procedure 2-2-210.

AGENCY PRELIMINARY RESPONSE

OCC agreed with this recommendation and has established procedures to reconcile all authorized OCC payments with GA/FMIS.

FINDING

11. Fixed Asset Purchases

OCC did not comply with provisions of annual appropriations acts that prohibit the use of OCC funds for the purchase of fixed assets.

Annual appropriations acts for the three fiscal years ended September 30, 1992 state that funds provided for OCC shall not be used to purchase fixed assets.

Our review of expenditures of select CCAB's and minimum security work camps disclosed:

- a. Four of 7 CCAB's purchased fixed assets (equipment and computer systems) with a combined value in excess of \$100,000.
- b. One minimum security work camp purchased fixed assets totaling over \$7,200.

OCC defined fixed assets as those items that become a permanent part of a building or structure thus excluding equipment items. However, the State of Michigan General Fixed Assets Accounting Manual defined fixed assets as including equipment with an acquisition cost of \$500 or more and a useful life of more than one year.

OCC staff informed us that the Legislature prohibited the purchase of fixed assets because of problems the department had accounting for equipment purchased by contractors in the service provider program.

We could not estimate the total value of equipment purchases because contractors did not submit detailed equipment listings.

RECOMMENDATION

We recommend that OCC either comply with provisions of the annual appropriations acts that prohibit the use of OCC funds for the purchase of fixed assets or request amendatory legislation to allow contractors to purchase fixed assets.

AGENCY PRELIMINARY RESPONSE

OCC agreed that annual appropriations acts prohibited the purchase of fixed assets, and it issued guidelines requiring contractors to lease office furnishings, computer equipment, and other equipment essential for the operation of its programs. However, because of high lease costs, OCC decided to allow contractors to purchase fixed assets.

EFFICIENT CONTRACTING FOR RESIDENTIAL CENTER SERVICES

COMMENT

The residential center program, which was operated by the Department of Corrections, was transferred to OCC as a result of Act 511, P.A. 1988. OCC contracts with 18 nonprofit operators to provide residential center services. Annual appropriations acts fund the residential center program to provide an alternative to prison incarceration for nonviolent offenders.

During the audit period, OCC placed a higher priority on developing and implementing community corrections advisory board (CCAB) programs than on residential center programs. As a result, the residential center program operated with minimal guidance or monitoring by OCC staff.

In April 1992, the State Community Corrections Board took steps to identify weaknesses and improve controls over the residential center program. The board created a subcommittee to review all aspects of the residential center program and make recommendations to improve operations. The subcommittee had not released its final report at the conclusion of our field review.

Audit Objective: To assess whether OCC efficiently contracted for residential center services.

Conclusion: Our review of the OCC contracts for residential center services disclosed two material conditions. OCC did not formally document needs or develop a Statewide plan for residential center services. Also, residential center contracts did not identify the specific level of services to be provided at each center for the \$35 per diem rate. As a result, we could not determine if OCC contracted for residential center services in an efficient manner.

We identified another problem in the area of collection of resident contributions which, if corrected, could improve the efficient operation of the residential center program.

FINDING

12. Residential Center Program Planning

OCC did not formally document program needs or develop a comprehensive Statewide plan for residential center services.

OCC should develop detailed plans for the residential center program as a management aid to identify the need for residential centers and the need for increased beds within existing centers. OCC should also consider the number of nonviolent offenders available for diversion to determine the need for new facilities and to help justify increases in bed capacities.

Our review disclosed:

- a. OCC contracted with four residential centers that could not obtain a sufficient number of offenders to support the current funding level. These centers operated with vacancy rates ranging from 27% to 71% in fiscal year 1990-91, and 25% to 35% for the period October 1, 1991 through February 29, 1992.
- b. OCC failed to adequately evaluate the need for residential centers and residential center beds resulting in payment for approximately 10,000 vacant beds at a cost of approximately \$355,000 in 16 residential centers for the period October 1 through December 31, 1990. In January 1991, the State Community Corrections Board decreased the occupancy guarantee from 90% to 82% in an attempt to reduce payments for vacant beds. However, OCC still paid approximately \$147,000 for 4,200 vacant bed days from January 1 through September 30, 1991. This indicates that further effort is needed to determine the actual need for bedspace.

OCC staff informed us that the State Community Corrections Board decided to operate the residential center program without formally assessing Statewide utilization rates until the CCAB comprehensive planning process was substantially completed. The State Community Corrections Board appointed a subcommittee in April 1992 to address residential center issues.

RECOMMENDATION

We recommend that OCC develop a comprehensive Statewide plan to identify the need for residential center services.

AGENCY PRELIMINARY RESPONSE

OCC agreed with the merits of assessing the Statewide need for residential centers and will formally document its activities addressing this need. This matter has been, and will continue to be, addressed through implementation of the computerized information system which is being developed.

FINDING

13. Residential Center Contracts

OCC contracts with residential centers did not identify the specific services to be provided by each center. As a result, OCC was not assured that the actual cost for operating 17 residential centers approximated their \$35 per diem rate.

OCC contracts with these 17 residential centers were based on a \$35 per diem rate. The contracts require that the residential centers must provide the following "core services" to offenders:

- a. Room and board (three meals per day).
- b. Security and supervision (24 hours per day).
- c. Programming which includes intake and assessment, case management, referral for appropriate rehabilitative and other services, appropriate transportation, recreational opportunities, structured scheduling of activities, and financial management counseling.

In addition to the "core services," contractors agree to provide, or provide access to, a variety of "noncore services" if those services become available. Subject to availability, noncore services include, but are not limited to:

1. Educational services.
2. Substance abuse screening and treatment.
3. Employment-related services.
4. Medical evaluation and treatment.
5. Community service work placement and supervision.
6. Monitoring of resident participation in programming.
7. Aftercare services.

The individual centers provide a variety of the preceding services to their residents. However, the contracts do not specify to what extent contractors will provide each service, and they do not require the contractors to limit the expenditure of State funds to the purchase of "core" and "noncore" services.

Our review of selected financial transactions at 4 residential centers disclosed:

- (a) Serious internal control system weaknesses at 1 of the 4 centers. These weaknesses included the lack of a double entry bookkeeping system or general ledger to account for facility expenses. These weaknesses were identified in a public accounting firm's audit report, but were not transmitted to OCC. The accounting firm's audit report also identified questioned costs for the same center which were not referred to OCC.
- (b) Lodging and meal expenses that exceeded State travel reimbursement rates and out-of-State travel to conferences during a period when Executive Directive 1991-7 prohibited such travel.

- (c) Several remodeling projects and equipment purchases that were not supported by bids.
- (d) Purchase of drug testing equipment at one center. The State contracts with a company to provide drug testing services at no cost to the residential centers.

The use of funds for these expenses limits funds available to purchase services for center residents.

Our review of per diem rates in effect during fiscal year 1986-87, when the Department of Corrections operated the residential center program, indicated that per diem rates ranged from \$16 to \$40 per day. OCC staff stated that, although not documented, rates established by the department were not indicative of actual costs because they were derived through manipulation of guarantees and authorized population levels. OCC developed the \$35 per diem rate based on a review of costs among comparable programs including costs associated with the jail reimbursement program (\$35 per day).

RECOMMENDATIONS

We recommend that OCC develop contracts with residential centers that identify the specific services to be provided by each center under the established per diem rate.

We also recommend that OCC monitor financial transactions of residential centers to ensure that expenditures are directly related to the level of contracted services.

AGENCY PRELIMINARY RESPONSE

OCC agreed with this recommendation and stated that it will revise future contracts to detail the extent to which services will be provided by the residential centers through the development of standards.

FINDING

14. Resident Contributions

OCC contracts with residential centers did not address how the funds collected from working residents (resident contributions) were to be used to offset program costs.

Employed residents pay the residential centers up to 35% of their wages toward the cost of care. The residential centers spend these funds in addition to the \$35 per diem to provide core and noncore services.

OCC contracts did not specifically address how the resident contributions were to be used by the residential centers. Also, OCC did not determine if the residential centers used these funds totaling approximately \$300,000 in fiscal year 1990-91 to provide additional services.

In the past, the residential centers were required to submit 100% of the resident contributions to the Department of Corrections. In an effort to improve collection rates, the department revised its policy and allowed centers to retain 50% of the resident contributions. Upon transfer of the residential center program to OCC, the State Community Corrections Board decided to allow centers to retain all resident contributions. This decision was made with the understanding that funds would be used for unspecified core and noncore services.

Without identifying specific uses for resident contributions or monitoring the use of funds, OCC was not assured that the funds were properly used.

RECOMMENDATIONS

We recommend that OCC contracts with the residential centers address how the funds collected from working residents are to be used to offset program costs.

AGENCY PRELIMINARY RESPONSE

OCC agreed with this recommendation and stated that it will present this issue to the State Community Corrections Board through the Ad Hoc Committee on Probation Residential Centers for its review.